

O'BRIEN HOUSE
(A Nonprofit Corporation)
FINANCIAL STATEMENTS
with Independent Auditors' Report
FOR THE YEAR ENDED DECEMBER 31, 2008

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 9/30/09

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
O'Brien House
(A nonprofit organization)
Baton Rouge, Louisiana

We have audited the accompanying statement of financial position of O'Brien House (A Nonprofit Organization) as of December 31, 2008 and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of O'Brien House (A Nonprofit Organization) as of December 31, 2008, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United State of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 13, 2009, on our consideration of O'Brien House's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of O'Brien House taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Latuso & Johnson, CPA

Baton Rouge, Louisiana
July 13, 2009

**O'BRIEN HOUSE
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2008**

ASSETS

Current assets:	
Cash	\$ 320,496
Receivables	83,945
Prepaid expense	<u>34,709</u>
Total current assets	439,150
Non current assets:	
Property and equipment, net of depreciation	1,316,355
Other assets:	
Notes receivable from affiliate	<u>961,870</u>
Total assets	<u><u>\$ 2,717,375</u></u>

LIABILITIES

Current liabilities	
Account payable	\$ 386,340
Clients escrow	8,617
Notes payable	147,787
Accrued expenses	21,142
Accrued interest	39,372
Current portion of long term debt	<u>23,548</u>
Total current liabilities	626,806
Long term debt, less current maturities	708,673

NET ASSETS

Unrestricted	<u>1,381,896</u>
Total liabilities and net assets	<u><u>\$ 2,717,375</u></u>

See accompanying notes to financial statements.

**O'BRIEN HOUSE
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2008**

REVENUES AND SUPPORT:

Government contracts	\$ 847,307
In kind donations	296,999
United Way allocations	173,338
Program services-rent	105,014
Developer fee	76,800
Special events	56,207
Contributions	50,087
Other grants	50,000
Interest Income	42,000
Vending	11,611
Other	<u>1,835</u>
Total revenues and support	1,711,198

EXPENSES:

Program expenses	1,379,264
Management and general expenses	416,617
Fundraising expenses	<u>19,620</u>
Total expenses	<u>1,815,501</u>

INCREASE (DECREASE) IN NET ASSETS (104,303)

Net assets - beginning of year 1,486,199

Net assets - end of year \$ 1,381,896

See accompanying notes to financial statements.

**O'BRIEN HOUSE
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2008**

CASH FLOWS FROM OPERATING ACTIVITIES

Decrease in net assets	\$ (103,803)
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation	53,562
Decrease in receivables	146,889
Increase in prepaid expenses	(34,709)
Increase in accounts payable and accrued expenses	<u>396,901</u>
 Total adjustments	 <u>562,643</u>

Net cash provided by operating activities	458,840
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CASH FLOWS FROM INVESTING ACTIVITIES

Increase in note receivable	(91,919)
Purchase of property and equipment	<u>(480,796)</u>

Net cash used in investing activities	(572,715)
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CASH FLOWS FROM FINANCING ACTIVITIES

Reductions of short-term borrowings-net	(5,094)
Proceeds from long-term debt	126,252
Repayment of long-term debt	<u>(19,855)</u>

Net cash provided in financing activities	<u>101,303</u>
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NET DECREASE IN CASH	(12,572)
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Cash and cash equivalents- beginning of year	<u>334,068</u>
Cash and cash equivalents- end of year	<u><u>\$ 321,496</u></u>

Supplementary Information

Interest paid	<u><u>\$ 17,316</u></u>
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See accompanying notes to financial statements.

**O'BRIEN HOUSE
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2008**

	<u>Program Services</u>	<u>MGT & General</u>	<u>Fund- raising</u>	<u>TOTAL</u>
Salaries	\$ 657,974	\$ 185,253	\$ -	\$ 843,227
Food and beverage	330,627	-	-	330,627
Occupancy	121,714	4,140	-	125,854
Insurance	50,000	37,003	-	87,003
Supplies	80,998	-	-	80,998
Payroll taxes	52,637	11,417	-	64,054
Office expenses	-	54,424	-	54,424
Depreciation	35,708	17,854	-	53,562
Interest	-	42,188	-	42,188
Accounting and payroll fees	-	35,940	-	35,940
Client assistance	17,098	-	-	17,098
Special events	-	-	15,870	15,870
Vehicle	15,712	-	-	15,712
Miscellaneous	952	5,051	3,750	9,753
Conferences	8,677	-	-	8,677
Telephone	-	8,354	-	8,354
Postage	2,815	4,463	-	7,278
Printing	-	4,841	-	4,841
Bank charges	-	3,306	-	3,306
Professional services	2,479	-	-	2,479
Dues & memberships	-	2,383	-	2,383
Travel	1,873	-	-	1,873
	<u>\$ 1,379,264</u>	<u>\$ 416,617</u>	<u>\$ 19,620</u>	<u>\$ 1,815,501</u>

See accompanying notes to financial statements.

O'BRIEN HOUSE
(A Nonprofit Organization)

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION

O'Brien House, Inc. (the "Organization") is a Louisiana non-profit corporation whose mission is to contribute to a sustained reduction in the use and abuse of alcohol and other chemicals proven to be hazardous to human health and detrimental to community well being. The organization was established in August 1971 and operates at its facility near downtown Baton Rouge.

BASIS OF ACCOUNTING

The financial statements have been prepared on the accrual basis of accounting. Accordingly, revenues are recognized when earned and expenses are recognized when incurred.

SOURCES OF REVENUE

The organization received federal grants, passed through the State of Louisiana, Parish of East Baton Rouge and City of Baton Rouge for the purpose of providing supportive housing programs. They also received a grant from the Federal Home Loan Bank of Atlanta for the purpose of providing housing.

The Organization is also a participating agency of and receives a portion of its annual funding needs from the Capital Area United Way. Other principal sources of revenues are private grants, annual appeal and breakfast, donations and client service fees.

INCOME TAX STATUS

The Organization is exempt from Federal Income Taxes under Section (501)(c)(3) of the Internal Revenue Code and has been designated as an organization which is not a private foundation. Therefore no income tax expense is included in the accompanying financial statements.

NET ASSETS

The Organization classifies assets into three categories: unrestricted, temporarily, or permanent restricted. All net assets are considered to be available for unrestricted use unless specifically restricted by the donor or by law. Temporarily restricted net assets become unrestricted and are reported in the statement of activities as net assets released from restrictions when the time restrictions expire or the contributions are used for the restricted purpose.

O'BRIEN HOUSE
(A Nonprofit Organization)

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CONTRIBUTIONS

All contributions are considered available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes, are reported as temporarily restricted or permanently restricted support that increases those net asset classes, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends, or purpose of restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

PROMISES TO GIVE

Unconditional promises to give are recognized as revenues or gains in the period received as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

DONATED ASSETS AND SERVICES

Land, buildings and equipment received as donations are recognized in the accompanying financial statements at their estimated fair market value at the date they are received.

The Organization receives a substantial portion of its grocery and household items from the Greater Baton Rouge Food Bank. Income for the donated items is recognized in the accompanying financial statements as In-Kind contributions with an offsetting program services expense of Food and Beverages.

The Organization received free use of facilities for one of its programs from the City of Baton Rouge. The estimated value of the use of these facilities was \$15,000. Income for the use of the facilities is recognized in the accompanying financial statements as In-Kind contributions and is included as an offsetting Occupancy expense, included as a program service.

Other donated items, such as clothing and furniture, are included in In-Kind contributions and program services supplies expense.

O'BRIEN HOUSE
(A Nonprofit Organization)

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles require management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

CASH AND CASH EQUIVALENTS

For the purposes of the statement of cash flows, the organization considers all unrestricted highly liquid investments with maturity of three months or less to be cash equivalents.

ACCOUNTS RECEIVABLE

Accounts receivable are written-off under the direct write-off method whereby bad debts are recorded when a receivable is deemed uncollectible. If they are subsequently collected they are recorded as miscellaneous income. The direct charge-off method is not a material departure from generally accepted accounting principles as it approximates the valuation method.

PROPERTY AND EQUIPMENT

Expenditures for the acquisition of property and equipment are capitalized at cost. The fair value of donated property and equipment is similarly capitalized. Depreciation is provided over the estimated useful lives of the assets, which range from 5 to 40 years depending on the asset, using the straight-line method. Expenditures for the construction and major remodeling of facilities are recorded as Construction in Progress. When the facilities are placed into service the costs are transferred to Buildings. Interest expenditures during the construction phase are capitalized.

O'BRIEN HOUSE
(A Nonprofit Organization)

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FAIR VALUE

The carrying value of accounts receivable, accounts payable and notes with a stated interest rate other than zero percent estimates their fair value. Notes receivable and notes payable with stated interest rates of zero percent have been adjusted to their approximate fair value. The fair value is based on the wall street journal prime rate in effect at inception, for the note with a payment schedule. For the notes with no payment schedule, the fair value is based on the wall street journal prime rate in effect during the period.

FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs and activities have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefitted based on the time spent on each program.

NOTE 2 - UNINSURED CASH DEPOSITS

The Organization maintains its cash balances in one financial institution, which are insured by the Federal Deposit Insurance Corporation. Effective October 3, 2008, the federally insured amount increased from \$100,000 to \$250,000. At December 31, 2008 the Organization's uninsured cash balances totaled \$71,508.

NOTE 3- FIXED ASSETS

A summary of fixed assets at December 31, 2008 is as follows:

Land	\$ 65,000
Equipment	106,360
Buildings	1,061,692
Vehicles	73,949
Construction in process	<u>240,214</u>
	1,547,215
Accumulated Depreciation	<u>(230,860)</u>
Net Book Value	<u><u>\$1,316,355</u></u>

Depreciation expense for the year ended December 31, 2008 was \$53,562.

O'BRIEN HOUSE
(A Nonprofit Organization)

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2008

NOTE 4 - NOTES PAYABLE

Short-term debt at December 31, 2008 consisted of the following:

Bank line of credit of \$90,000 at the bank's index rate (4% at December 31, 2008)	\$ 77,389
Bank line of credit of \$50,000 at the bank's index rate (7.4% at December 31, 2008)	45,472
Note payable at 12.5%, payable in monthly installments of \$3,710, secured by unexpired insurance premiums.	<u>24,926</u>
	<u>\$147,787</u>

NOTE 5 - LONG-TERM DEBT

Long-term debt at December 31, 2008 consisted of the following:

Notes payable at 8.2 to 9.25% payable in monthly installments totaling \$1,535, secured by three vehicles.	\$ 42,393
Mortgage payable to Amerinational Community Services in monthly installments of \$792.	80,743
Rehabilitation loan to City of Baton Rouge - Parish of East Baton Rouge	<u>609,085</u>
	732,221
Less current maturities	<u>23,548</u>
Long-term portion	<u>\$708,673</u>

O'BRIEN HOUSE
(A Nonprofit Organization)

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2008

NOTE 5 - LONG-TERM DEBT (CONTINUED)

Scheduled principal reductions for the next five years and thereafter are as follows:

2009	\$ 23,548
2010	48,226
2011	47,637
2012	38,719
2013	36,460
Thereafter	<u>537,631</u>
	<u>\$732,221</u>

Interest expense for the year ended December 31, 2008 was \$34,374.

In 2001 a rehabilitation loan with the City of Baton Rouge-Parish of East Baton Rouge was converted into a mortgage loan with payments of \$792 per month payable to Amerinational Community Services, Inc. The original face value of the note was \$190,000, with a term of 20 years and a stated interest rate of zero percent (0%). This note is reported in the accompanying financial statements at its fair value of \$80,743, using an imputed rate of 6.75%

During 2007 and 2008, the City-Parish of East Baton Rouge has advanced funds under two separate programs for the construction of facilities. The repayment of these funds have not been negotiated as of July 10, 2009. Interest expense of \$24,872 has been imputed on these loans for 2008, since these loans are non interest bearing.

NOTE 6 - LEASE COMMITMENTS

The Organization has two leases for office equipment. The lease requires a total monthly payment of \$230.

The future minimum lease payments are as follows:

December 31:	
2009	\$ 1,680
2010	2,760
2011	2,760
2012	<u>1,080</u>
	<u>\$ 8,280</u>

The Organization also rents equipment on a daily basis as needed.

O'BRIEN HOUSE
(A Nonprofit Organization)

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2008

NOTE 7 – RELATED PARTY TRANSACTIONS

The Organization is the managing member of O'Brien House Management, Inc., which is in turn the managing member of O'Brien House SRO, L.L.C. (the SRO). During 2007 and 2008, the organization loaned \$846,350 and \$53,649, respectively, to the SRO for the purpose of constructing residential facilities. The loans were made at zero percent (0%) interest. No repayment is required as long as the facilities are used in compliance with the operating agreement, unless the SRO makes a profit. On December 31, 2022 the Organization shall have the right to purchase the residential facilities for the outstanding balance of the note.

The notes are included in the accompanying financial statements at fair value. The carrying value of the notes includes imputed interest in the amount of \$61,870. Interest income on the statement of activities includes \$38,270 of imputed interest for 2008.

During 2008 the organization received \$76,800 in developer's fees related to the SRO project. These fees are included in revenues in the accompanying financial statements.

NOTE 8 – ECONOMIC DEPENDENCY

The Organization receives the majority of its revenues from funds provided through grants administered by the Louisiana Department of Health & Hospitals, East Baton Rouge City-Parish and the Capital Area United Way. The grant amounts are appropriated each year by these entities. If significant budget cuts are made at the federal, state and/or local level, the amount of funds the Organization received could be reduced significantly and have an adverse impact on its operations. Management is not aware of any actions that are expected to significantly adversely affect the amount of funds the Organization will receive in the next fiscal year.

NOTE 9 – FEDERAL COMPLIANCE CONTINGENCIES

The Organization receives a portion of its revenues from government grants and contracts, all of which are subject to audit by the governments. The ultimate determination of amounts received under these programs generally is based upon allowable cost reported to and are subject to audit by the government. Until such audits, if any, there exists a contingency to refund any amount received in excess of allowable cost. Management is of the opinion that no material liability will result from such audits.

O'BRIEN HOUSE
(A Nonprofit Organization)

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2008

NOTE 10 - UNCERTAINTIES, CONTINGENCIES AND RISKS

The Organization's policy is to depreciate its building and equipment over their estimated useful lives using the straight-line method and an estimate of the remaining useful lives. It is at least reasonably possible that the Organization's estimate of the remaining useful lives will change in the near term.

NOTE 11 - IN KIND CONTRIBUTIONS

During the year ended December 31, 2008, the Organization received the following non-cash donations of material, services and free use of facilities that have been reflected in the accompanying financial statements in Support and Revenues as Contributions-In-Kind and Functional Expenses as Donations-In-Kind.

Food and household items	\$246,200
Free or discounted use of facilities	15,000
Volunteer salaries	10,390
Other items	<u>25,410</u>
Total In Kind	<u>\$297,000</u>

NOTE 12 - CONTINGENCY

During 2006 the Organization began a significant remodeling and construction project financed by loans from the U.S. Department of Housing and Urban Development, passed through the Parish of East Baton Rouge, City of Baton Rouge Office of Community Development. Relying on advice from the oversight agency, the organization concluded that these projects qualified for the federal waiver of documentation of compliance with the Davis - Bacon Act, issued due to the effects of Hurricane Katrina. Therefore the Organization did not obtain the weekly certified payroll reports required. In May 2008, the Organization was informed that the provisions of the Davis - Bacon Act did indeed apply to those projects and has subsequently attempted to obtain documentation of compliance with the Act. Should the organization be unable to document its compliance with the Davis - Bacon Act, sanctions could be imposed by the U.S. Department of Housing and Urban Development. No communications assessing any such sanctions have been received by management. Since management believes an assessment is unlikely, no accrual of liabilities related to the potential lack of compliance has been included in the accompanying financial statements.

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARD

To the Board of Directors of
O'Brien House
(A Nonprofit Organization)
Baton Rouge, Louisiana

We have audited the financial statements of O'Brien House (a nonprofit organization) as of and for the year ended December 31, 2008, and have issued our report thereon dated July 13, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issue by the Comptroller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered O'Brien House's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the O'Brien House's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affect the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organization's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses, as defined above.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether O'Brien House's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which are described in the accompanying schedule of findings and responses as item 2008-1 and 2008-2.

This report is intended solely for the information and use of management, others within the entity, the Board of Directors, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Latusa W. Johnson, CPA

Baton Rouge, Louisiana

July 13, 2009

Latuso and Johnson CPA, LLC

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Directors
O'Brien House
(A Nonprofit Organization)
Baton Rouge, Louisiana

COMPLIANCE

We have audited the compliance of O'Brien House (A Nonprofit Organization) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2008. O'Brien House's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of O'Brien House's management. Our responsibility is to express an opinion on O'Brien House's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about O'Brien House's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of O'Brien House's compliance with those requirements.

INTERNAL CONTROL OVER COMPLIANCE

The management of O'Brien House is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered O'Brien House's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of O'Brien House's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned function, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Board of Directors, others within the entity and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Latuso & Johnson, CPA

Baton Rouge, Louisiana
July 13, 2009

O'BRIEN HOUSE
(A Nonprofit Corporation)

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED DECEMBER 31, 2008

SECTION 1 - SUMMARY OF AUDITORS' RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of the O'Brien House (A Nonprofit Corporation)
2. No significant deficiency was disclosed during the audit of the financial statements.
3. Two instances of noncompliance which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies in internal control over major federal award programs were disclosed during the audit.
5. The auditor's report on compliance for the major federal award programs for O'Brien House (A Nonprofit Corporation) expresses an unqualified opinion.
6. No findings are required to be reported in accordance with Section 510(a) of OMBCircular A-133 are reported in this schedule/
7. The programs tested as major programs included:

Community Planning and Development, Department of Housing and Urban Development

Passed through Louisiana Department Health and Hospitals
Capital Area Health Services District - Supportive Housing Program 14.235
Capital Area Homeless Alliance - Supportive Housing Program 14.235

Substance Abuse and Mental Health Services Administration, Department of Health and Human Services

Passed through Louisiana Department of Health and Hospitals
Office of Addictive Disorders - Substance Abuse and Mental Health Services
Access to Recovery 93.275
8. The threshold used for distinguishing between Type A and B programs was \$300,000.
9. O'Brien House (A Nonprofit Corporation) did not qualify as a low risk auditee.
10. There was no compensation paid to any member of the Board of Directors.
11. A management letter was not issued in conjunction with this engagement.

**O'BRIEN HOUSE
(A Nonprofit Corporation)**

SCHEDULE OF AUDIT FINDINGS

FOR THE YEAR ENDED DECEMBER 31, 2008

SECTION II - PRIOR YEAR FINDINGS

2007 - 1 and 3 Finding: Transactions for 2007 were not entered in the accounting records in a consistent and accurate manner. Equipment was coded to supplies, proceeds from loans were coded as revenue, and revenue from the various grants was not consistently recorded in the correct account.

Response: During 2008 the Organization engaged the services of an outside accountant to review and assist with proper recording of transactions. During 2009, an additional person was hired to oversee the accounting functions.

2007 - 2 and 4 Finding: The audit of the financial statements for the year ended December 31, 2007 was not completed within the required six month period.

Response: Management believes the hiring of the outside accountant would facilitate the process and completion of the audit within the required period of time.

2007 - 5 Finding: The Organization did not comply with the Davis - Bacon act for one of the construction/remodeling projects. This project was funded through loans that originated with the U.S. Department of Housing and Urban Development supporting housing programs (CFDA #s 14.228 and 14.229).

Response: Management has had several meetings with government officials, and the Organization's project architect. The architect has reviewed the documentation and has obtained additional records from the various sub-contractors used on the construction project.

**SECTION III - INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE
FINANCIAL STATEMENTS**

2008 - 1 Finding: The Organization was not in compliance with the reporting requirement of submitting annual financial statement to the Legislative Auditor's office within six months after year end. This was due primarily to scheduling conflicts of the auditor and unforeseen difficulty in obtaining certain verifications from outside parties.

Recommendation: The auditor should commence their audit procedures prior to December 31, in order to identify issues which may delay the audit process.

Response: Management concurs with the above recommendation.

O'BRIEN HOUSE
(A Nonprofit Corporation)

SCHEDULE OF AUDIT FINDINGS

FOR THE YEAR ENDED DECEMBER 31, 2008

**SECTION III - INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE
FINANCIAL STATEMENTS - (CONTINUED)**

2008 - 2 Finding: We noted that the Organization sends invoices to various governmental agencies for services provided. These invoices are often adjusted by the agencies with a lower amount being remitted. The Organization accepts the amounts received without comparing the receipt to the balance outstanding. These differences have been adjusted at the end of the year without any investigation.

Recommendation: The accounting department should compare the amounts received to the amount billed. When a difference occurs, the appropriate person should be informed and the reasons obtained.

Response: Management concurs with the above recommendation.

SUPPLEMENTAL INFORMATION

O'BRIEN HOUSE
(A Nonprofit Corporation)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>CFDA</u>	<u>Amount of Federal Expenditures</u>
COMMUNITY PLANNING AND DEVELOPMENT, DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT		
Passed through Louisiana Department Health and Hospitals		
Capital Area Human Services District - Supportive Housing Program	14.235	\$364,788
Capital Area Homeless Alliance - Supportive Housing Program	14.235	127,061
Passed through Parish of East Baton, City of Baton Rouge - Office of Community Development		
Supporting Housing Program - Permanent Housing	14.235	53,649
Supporting Housing Program - Supportive Housing	14.235	3,398
Community Development Block Grant - Housing Loan Program	14.228	-0-
Community Development Block Grant - Home Program	14.239	126,253
Passed through Parish of East Baton Rouge, City of Baton Rouge, Office of Mayor President	14.235	17,100
Passed through Louisiana Department of Social Services, Parish of East Baton Rouge, City of Baton Rouge, Office of Community Development - Emergency Shelter Grant	14.231	<u>12,000</u>
Total U.S. Department of Housing and Urban Development		<u>\$704,249</u>
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION, DEPARTMENT OF HEALTH AND HUMAN SERVICES		
Passed through Louisiana Department of Health and Hospitals		
Office of Addictive Disorders - Substance Abuse and Mental Health Services - Access to Recovery	93.275	\$ 220,604
Capital Area Human Services District - Block Grant for Prevention and Treatment of Substance Abuse - Strengthening Families	93.959	<u>37,705</u> <u>258,309</u>
Total Federal Expenditures		<u>\$962,558</u>

O'BRIEN HOUSE
(A Nonprofit Corporation)

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED DECEMBER 31, 2008

BASIS OF PRESENTATION

The above schedule of expenditures of federal awards includes the federal grant activity of O'Brien House (A Nonprofit Organization) and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations." Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of, the basic financial statements.